

Why Does Wall Street Care About Your Supply Chain?

“The value of a network is proportional to the square of the number of users of the system.”

—Metcalf’s Law

Is your supply chain a necessary evil or is it a strategic weapon to create competitive differentiation, increase EPS and drive predictable shareholder value?

Billions of dollars are won or lost based on the ability to respond quickly enough to customer demand. However, demand is becoming less predictable, and customers — if not satisfied — will go elsewhere. Knowing this, competitors are aggressively leveraging and marketing their lean supply chain capabilities to capture market share. More and more, CFOs are tackling these ever-evolving challenges by unlocking the potential of their supply chain networks.

Speed, innovation and true collaboration between trading partners are the key enablers to meeting customer demand, capturing market share and beating the competition. Leading CFOs are becoming catalysts in driving and ensuring that each incremental addition in supply chain capabilities delivers the sought-after improvements in overall network value. Applying this CFO savvy to all aspects of supply chain advancement is a pivotal behavior among industry leaders.

Supply Chain Risk – Tangible vs. Intangible

Many companies base their entire supply chain strategy solely on the lowest operational costs, only considering the tangible risks such as commodity pricing, labor and inventory costs, accounts receivables, etc. By taking such a single-minded approach, results are typically sub optimal at best — crushing profits, diminishing brand reputation and reducing dependability of earnings.

To drive improvement in earnings per share and deliver **real** impact on the overall businesses valuation, savvy organizations are adding to their current risk management activities by addressing intangible risk across the extended supply chain network. These hidden risks are a large part of the real total landed costs, including:

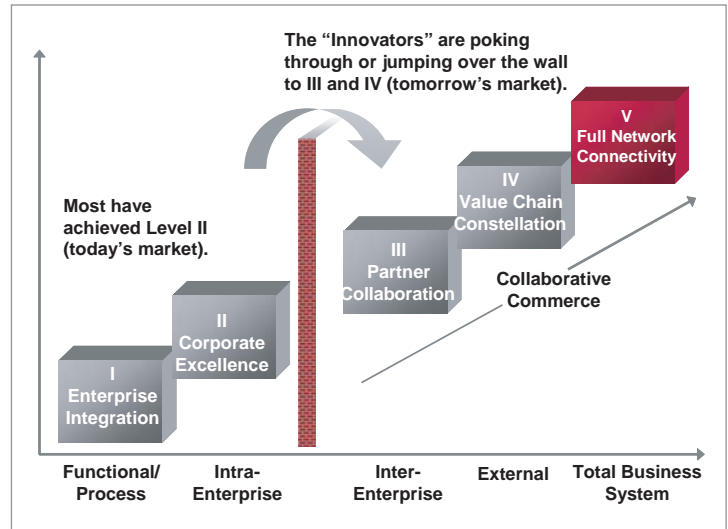
- Reducing fluctuations in service levels
- Responding to demand variations
- Adapting to increasing supply chain network complexity
- Cutting lead-times to those appropriate for the customer
- Bringing new advantages through shorter cycle times

In taking this deeper analytical approach, CFOs can create immediate value from the identification and reduction of each component of supply chain risk across their evolving network, which in return drives predictable earnings per share and higher valuations. By incorporating this new thinking into a contemporary focus on top line (new revenue) as well as bottom line (lower cost) improvements, Wall Street’s expectations can be met.

Driving Improvements in Business Valuation

As Wall Street analysts see supply chain as a route to increasing shareholder value, their expectations are driving a new approach to delivering sustainable supply chain improvements. Traditional approaches target specific components of the supply chain executing improvement initiatives in a vacuum, “chasing” discrete benefits and delivering limited sustainable improvement.

Industry leaders have identified the key process steps and transformed them to best practices, subsequently taking those best practices across the business enterprise to deliver value across their entire supply chain network.



CSC's Supply Chain Maturity Model

As supply chains develop, moving along the maturity model (see Figure) to level IV, they become collaborative networks linking customers, distributors and suppliers together with logistics operations. Leading organizations integrate supply chain improvements, in a balanced and coordinated manner, in order to achieve optimum results.

Such an approach enables CFOs to adopt a measured approach, to mitigate risks and manage “trade-offs” in transforming to a “Value Managed Enterprise.” To generate real value an organization needs to consider multiple domains in order to drive both cost and revenue improvements, including:

- Baseline current performance to set consistent metrics in order to define and integrate improvement initiatives
- Adopting lean concepts to drive lasting improvements to the cost structure
- Implement appropriate quality standards to eliminate problems and hold the gains
- Selectively outsource weak processes to most capable partner
- Leverage advanced supply chain to create differentiation in the eyes of the most desired customers
- Use the advantages to build new revenues

So Why Does Wall Street Care About Supply Chain? It's About Your Bottom Line.

By adopting this contemporary view of supply chain optimization, proven results show that CFOs can help their organizations add five to eight percent of new profit to earnings. As leaders begin to dominate in their chosen markets, so do their respective market valuations.

CSC and Manhattan Associates – Enhancing Valuations Through Supply Chain Performance

Together, CSC and Manhattan Associates help companies improve their business valuations by enabling supply chain advancement. For more information on the CSC/Manhattan Associates alliance and its distinctive capabilities, please contact:

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